

FAQ on the Annual General Meeting

The following FAQ addresses frequent questions regarding the items on the agenda of the Annual General Meeting to be held on May 20, 2021. The answers serve to clarify various questions addressed to the Supervisory Board in advance.

	Question	Reply
1.	<i>How are the annual targets for the variable compensation of the members of the Management Board determined?</i>	The company-related targets are based on the company's budget. In principle, the Management Board members and the Supervisory Board shall agree on the targets applicable in each case. Only if such an agreement regarding the targets is not reached by March 31 of the respective year, the Supervisory Board may determine the targets at its reasonable discretion, again based on the Company's budget.
2.	<i>Do the board members have so-called ESG goals?</i>	The variable compensation is geared to the sustainable and long-term development of the Company. As part of the personal targets for STI compensation, the Supervisory Board can also agree social, environmental and corporate governance targets with the Management Board, which is currently the case for Management Board employment contracts and should also be the rule for future contracts. The Supervisory Board will closely follow the development of ESG targets and plans to include them as LTI targets in the future.
3.	<i>What are the company-related goals based on?</i>	The definition of the STI and LTI targets is described in the compensation system (see 4ff under 2.2.c)). These targets determine more than 75% of the variable compensation of the Management Board members and are based on the key performance indicators described in the compensation system (revenue/EBIT and ROCE). These targets also determine the LTI compensation, which is additionally dependent on a positive development of the Company's share price (compared to the initial share price as the basis for Q1 2021). The LTI has an additional hurdle based on the share price development to ensure the value creation for our shareholders. The baseline is the first quarter 2021 average share price (27,35 EUR). Each measurement year the share price is tested against that baseline and the hurdle is set at no less than 90% of the original baseline. If the share price is lower than 24,62 EUR (90% of 1Q2021 baseline of 27,35 EUR) then there is no LTI pay out, even if all the metrics (revenue growth, EBIT and ROCE) were met. A further link between LTI compensation and the share price is achieved by the fact that 100% of the total net amount of each LTI tranche must be invested in shares of the Company.
4.	<i>How long must shares under the LTI be held by the Management Board?</i>	Shares acquired on payment of an LTI tranche must be held by the Management Board for at least 3 years. As the first payment under the LTI plan can be made in 2022 at the earliest, the LTI as a whole is designed for a four-year period, which corresponds to the regular duration of the appointment of Management Board members already in office. Shares acquired by the Management Board under the LTI plan in around 2022 must be held until 2025.
5.	<i>Does the compensation system include a right to reclaim compensation (claw back)?</i>	In a narrower sense, the compensation system does not include a claw back, although the possibility of reducing the compensation in accordance with § 87 (2) AktG and the possibility of claiming damages are part of the compensation system. The compensation system achieves the economic effect of a claw back in the case of long-term compensation through the obligation to invest 100% of LTI tranches received, after deduction of tax, in shares of the Company and to hold them for at least three years. In contrast to a normal claw back, the compensation system thus achieves a stronger link between the long-term

		<p>compensation and the development of the Company. The economic value of the long-term compensation for the Management Board is directly linked to the value of the Company as embodied in the share price. Any further possibility of reclaiming the compensation granted in this way is not practicable: the Management Board would have to resell the shares acquired in order to be able to service a corresponding claim for repayment. Due to this special feature of the LTI program, the Supervisory Board has refrained from including an additional claw back in the narrower sense in order to avoid a double disadvantage.</p>
6.	<p><i>What is the maximum amount the individual compensation of a Management Board member can reach?</i></p>	<p>In line with statutory requirements, the compensation system, as published on our website (see LINK below), also provides for an absolute maximum limit on annual compensation. This is EUR 1,100,000 gross for the individual Management Board member.</p>
7.	<p><i>Has the Supervisory Board carried out a horizontal and vertical comparison of compensation?</i></p>	<p>The Supervisory Board carried out a horizontal compensation comparison and for this purpose commissioned AON as an independent compensation consultant to conduct a benchmark study and took the results into account. A vertical comparison of Executive Board compensation was not performed due to the particular situation of the Company, as the position of CEO has not yet been reoccupied at present. The Supervisory Board plans to also conduct a vertical comparison prior to the replacement of the CEO.</p>
8.	<p><i>Where is the compensation system presented?</i></p>	<p>The description of the compensation system with more detailed information on the STI and LTI as well as other benefits can be found under:</p> <p>https://www.lpkf.com/fileadmin/mediafiles/user_upload/company/investor-relations/hauptversammlung/2021/en/information_concerning_item_7.pdf</p>